

## Message Text

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ACTION STR-07

INFO OCT-01 EA-10 IO-13 ISO-00 STRE-00 AGRE-00 CEA-01  
CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10  
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00  
AID-05 SS-15 ITC-01 TRSE-00 USIA-06 SP-02 SOE-02  
OMB-01 DOE-15 /119 W  
-----075004 212114Z /63

P 211952Z MAR 78  
FM USMISSION GENEVA  
TO SECSTATE WASHDC PRIORITY 7483  
INFO AMCONSUL HONG KONG

LIMITED OFFICIAL USE SECTION 01 OF 02 GENEVA 04330

USMTN  
ACTION STR PASS ELECTRICALLY  
STR PASS CODEL

E.O.11652:N/A  
TAGS: MTN, HK, ETRD  
SUBJECT: U.S.-HONG KONG BILATERAL, MARCH 20, 1978

1. SUMMARY. USMTN DEL (WHITE, MALISH) HELD INITIAL TARIFF CONSULTATIONS WITH HONG KONG (WISE, TSAO OF H.K. GENEVA DELEGATION, AND LAWRIE MILLS, DIRECTOR OF TRADE, HONG KONG). MEETING FOLLOWED ESTABLISHED PATTERN OF EXPLAINING THE U.S. TARIFF OFFER AND HIGHLIGHTING ITS VALUE TO HONG KONG. H.K. DEL WAS PRIMARILY INTERESTED IN THE POSSIBILITY OF SPECIFIC IMPROVEMENTS IN THE U.S. TEXTILE OFFER, ESPECIALLY WHERE HONG KONG IS PRINCIPAL SUPPLIER. ALTHOUGH SUPPOSEDLY UNDER INSTRUCTIONS NOT TO TALK ABOUT CONTRIBUTIONS, H.K. DEL INDICATED HONG KONG WOULD CONSIDER OFFERING BINDINGS SO AS NOT TO CREATE A PROTECTIVE EFFECT, I.E., IF A DUTY WERE LEVIED, A DOMESTIC H.K. PRODUCER, IF ONE EXISTED, WOULD ALSO HAVE TO PAY THE SAME  
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DUTY. END SUMMARY.

2. USMTN DEL POINTED OUT THE SCOPE OF U.S. OFFER AND STRESSED ITS SELLING POINTS TO HONG KONG. H.K. DEL GENERALLY STEERED DISCUSSION TOWARD TEXTILE ITEMS, AND ARGUED, IN GENERAL, THAT MFA RESTRAINT LEVELS SHOULD HAVE MADE DEEPER CUTS POSSIBLE. WE REPLIED THAT TO THE EXTENT

THAT RESTRAINT LEVELS WERE NOT REACHED, THE OFFERED U.S. REDUCTIONS COULD STIMULATE TRADE, AND TO THE EXTENT THAT RESTRAINT LEVELS WERE REACHED, EXPORTERS COULD RECEIVE A REVENUE BENEFIT FROM U.S. REDUCTIONS. IN ANY CASE, WE STRESSED THAT THE TEXTILE APPAREL INDUSTRY WAS AMONG THE MOST IMPORT SENSITIVE. NEVERTHELESS, AS THE NEGOTIATIONS PROCEEDED, WE WOULD TAKE INTO ACCOUNT THE SPECIFIC REQUESTS FOR IMPROVEMENTS NOTED IN HONG KONG'S MARCH 14 LETTER TO AMB. MCDONALD.

3. TSAO QUESTIONED US ABOUT THE LINKAGE BETWEEN THE U.S. TARIFF OFFER AND THE MAINTENANCE OF THE MFA. WE REPLIED THAT WHILE WE HAD NO SPECIFIC ELABORATION TO PROVIDE AT THIS TIME, THE LINKAGE WAS CREATED WHEN THE RECENT MFA RENEWAL WAS UNCERTAIN, BUT THAT THE LINKAGE STILL EXISTS. (COMMENT: THIS QUESTION HAS COME UP IN NEARLY EVERY BILATERAL HELD TO DATE. THIS TIME WE TREATED THE QUESTION AS A TECHNICAL ONE, I.E., HOW SUCH A LINKAGE MIGHT BE INCLUDED IN A SCHEDULE OF CONCESSIONS BUT SOME ADDITIONAL POLICY GUIDANCE ON THIS POINT WOULD BE HELPFUL. END COMMENT.) TSAO ARGUED BRIEFLY THAT H.K. ACQUIESCENCE TO THE MFA RENEWAL MIGHT BE CONSIDERED AN ADVANCE QUID PRO QUO FOR MTN CONCESSIONS.

4. IN DISCUSSING CONTRIBUTIONS, THE H.K. DEL EXPLAINED (AGAIN) THE IMPORT REGIME FOR VENDING AND GAMING MACHINES. LIMITED OFFICIAL USE

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IN ESSENCE, VENDING AND GAMING MACHINES NOT BEING GAMES OF CHANCE ARE NOT SUBJECT TO LICENSING; SLOT MACHINES AND GAMBLING DEVICES ARE PROHIBITED ENTRY. THEY NOTED THAT DUTIES ON TOBACCO WERE FISCAL DUTIES. REGARDING THE DEFINITION OF BRANDY, H.K. LEGISLATION WAS CHANGED IN MID-1976 ESSENTIALLY TAKING CARE OF U.S. COMPLAINTS, BUT THAT CHANGE HAD BEEN IN PROCESS SINCE 1961 AND HONG KONG CONSIDERED THE CHANGE A UNILATERAL ACTION.

5. U.S. AND H.K. DELS ENGAGED IN A SEMI-PHILOSOPHICAL DISCUSSION AS TO HOW A COUNTRY (OR TERRITORY) WITH ESSENTIALLY NO TARIFFS COULD NEGOTIATE FOR REDUCTIONS OR IMPROVEMENTS IN OTHER COUNTRIES' OFFERS. THE H.K. DEL THEN VOLUNTEERED THAT IT HAD BOUND TREATMENT ON SIX ITEMS IN PREVIOUS NEGOTIATIONS AND WOULD CONSIDER OFFERING BINDINGS SO AS NOT TO CREATE A PROTECTIVE EFFECT (I.E., KEEPING THE POSSIBILITY OF REVENUE DUTIES OPEN) BY REQUIRING, IF A DUTY WERE LEVIED, THAT A DOMESTIC PRODUCER, IF ONE EXISTED, WOULD HAVE TO PAY THE SAME AMOUNT.

6. H.K. DEL PROVIDED A LIST OF H.K. FISCAL LEVIES. THIS LIST IS BEING AIR POUCHED. A FEW HAVE A PROTECTIVE EFFECT

AS SHOWN IN THOSE INSTANCES WHERE THE RATE IS HIGHER FOR  
FOREIGN GOODS THAN THOSE OF H.K. ORIGIN. A LINE IN THE  
H.K. COLUMN MEANS THE LEVY IS THE SAME REGARDLESS OF  
ORIGIN. SS OF

7. COMMENT: THIS IS THE FIRST TIME IN THE MTN THAT HONG  
KONG HAS INDICATED THAT IT MIGHT BIND IN SOME WAY ITS  
EXTENSIVE DUTY-FREE TREATMENT. COMING AS IT DID, AMID  
OSTENSIBLE RELUCTANCE TO DISCUSS CONTRIBUTIONS, IT COULD  
BE TAKEN AS AN INVITATION TO NEGOTIATE MORE EXTENSIVE  
BINDINGS. THE H.K. DEL TOOK PAINS TO POINT OUT THAT THE  
GHK HAD THE LEGAL AUTHORITY TO DO THIS. MORE EXTENSIVE  
BINDINGS ARE, OF COURSE, A MAJOR U.S. MTN OBJECTIVE;  
HENCE, WE WERE PUZZLED THAT WHILE WE HAD MADE EXTENSIVE

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USMTN  
ACTION STR PASS ELECTRICALLY  
STR PASS CODEL

REQUESTS OF SINGAPORE FOR DUTY-FREE BINDINGS, WE HAD MADE  
NO SUCH REQUESTS OF HONG KONG. CAN WASHINGTON AGENCIES  
PROVIDE AN ASSESSMENT OF THE TRADE VALUE OF DUTY-FREE  
BINDINGS IN HONG KONG? END COMMENT.

8. DRAFTED BY MALISH. MCDONALD

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## Message Attributes

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** TARIFFS, MEETINGS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 21 mar 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
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**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
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**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
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**Status:** NATIVE  
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**Review Markings:**  
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